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ABSTRACT

This teacher's guide presents material for a unit on attending the retail fashion market. Content focuses on previewing merchandise for purchase, factors involved in a major market trip, common terms used when ordering merchandise, and pricing strategies. The guide contains 4 objectives, 6 group learning activities keyed to the objectives, 12 transparency masters with dialogue for each, and 5 alternate group activities (case studies). A pretest and posttest with answers complete the unit. (KC)

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FASHION BUYING SERIES

TEACHER
EDITION

GOING TO THE MARKET

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Oklahoma State Department of
Vocational and Technical Education
Stillwater, Oklahoma

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Competency: Fashion Buying: The Purchase

- Objectives:**
- A Discuss the two methods of previewing merchandise for purchase.
 - B Discuss factors involved in making a major market trip.
 - C List and describe common terms used when ordering merchandise.
 - D Demonstrate an understanding of pricing strategies.

I GROUP LEARNING ACTIVITIES FOR OBJECTIVES A, B, C, AND D

This set of learning experiences involves a group presentation followed by some application exercises. The focal points of the lesson are:

1. Discussing the methods of viewing merchandise for the purpose of making selections.
2. Discussing the factors involved in making a major market trip.
3. Discussing the merchandise order form.
4. Discussing the most common shipping and dating terms as well as methods of shipment.
5. Discussing the process of writing an order.
6. Discussing merchandise pricing strategies.

Transparency masters, notes below, and exercises are included for your use.

Transparency
Number

Message

- A 1 Begin by pointing out that the elements involved in the selection of merchandise are the same whether done locally or at a major market. Then discuss the two types of local purchasing: in store, or at local markets. Highlight the reasons a buyer may elect to purchase locally being sure to indicate that cost and convenience are primary factors for all sizes of stores, but a real issue for the "mom and pop" store. Also indicate that this is a method in which buyers can look for new resources, investigate opportunities for special purchases and preview major market offerings.

Indicate that, should a buyer elect, the attendance of a major market will depend upon the merchandise classification (women's, men's or children's for example), the season of the year (fall, holiday/resort, spring or summer for women and children and spring and summer for men), and business conditions (whether or not the store can afford to send the buyer to a major market).

- B 3 Explain the necessity of advance planning for a major market trip as a result of its large attendance. Highlight the fact that both travel (in advance to take advantage of airline discounts) and lodging (in advance to assure close proximity to the market center) are essential to plan well ahead of time.
- 4 Discuss the fact that having prepared a schedule similar to the one shown aids the buyer in managing time effectively and sticking to the assortment plan. There are hundreds of vendors who show at market and it is easy to "wander" into their showrooms and waste valuable time. A schedule helps to prevent that.
- 5 Explain that a well-prepared buyer will have his or her current open-to-buy and distribution summary on hand for reference when visiting the showrooms. Although orders are usually not written, it is important to have the plan available to consult. Because so many items are shown at market, it is beneficial to have a note-taking method such as the one shown. This assists the buyer in recalling specific merchandise when writing orders.

Transparency
Number

Message

- 6 Remind the students that the final day of market should be used for review and investigation of new resources. All major vendors should have been visited by this time.
- C 7 Also remind the students that most order writing is done AFTER market, when the buyer has the time to concentrate on blending the needs of the store with the offerings of the market. Writing an order is tedious and great care must be taken to insure accuracy. Discuss the necessity in paying close attention to the fine print whether the form is store or vendor developed.
- 8 Discuss the fact that a buyer has the responsibility to negotiate several factors which directly affect overall profit. One of these factors is shipping which involve two general directions. One is F.O.B. Destination, and the other is F.O.B. Factory. Discuss with your class how each choice might affect overall profit.
- 9 Another issue which must be considered is the method of shipment. In other words, how will the buyer actually receive the goods purchased. The methods indicated on the transparency are but the most basic. Discuss with your class how and why each of the methods shown might be appropriate and how the selection would affect the profit picture.
- 10 Another factor which affects overall profit and cash flow is the dating terms. Most vendors have established terms which remain fixed and constant, however, this is something which may be open for negotiation. Whatever the case, the buyer must have a clear understanding and agreement of the terms and indicate them clearly on the purchase order. Discuss each of the terms indicated on the transparency and how they might affect the profit and cash flow of a company.

- 11 The primary point to get across when discussing writing an order is the necessity for accuracy and thoroughness. The buyer's merchandise decisions have been made by this point and now it is time to actually order the merchandise. If there is not a great deal of care and accuracy in completing the order form, mistakes can be made which are costly and all of the preparation may have been in vain.

- D 12 Discuss that the order form is always completed with the "cost" of the merchandise indicated by unit and extension. There may be a "retail" column available for store generated order forms, but that information is never sent to the vendor. There are several factors which contribute to the final decision of a retail price for merchandise; several of which are listed here. Discuss with your class examples of how each factor may affect the "retail" pricing strategy.

II ALTERNATE GROUP ACTIVITIES

D

Break the class into four groups. Give each group one of the cases listed below and allow them 5-10 minutes to discuss how they would make merchandise pricing decisions based upon the information given. Then ask each group to present their case to the class along with their recommended solution. Allow the class to discuss alternative recommendations as well as pros and cons of the decision made. There is no right or wrong answer. There are more profitable and less profitable answers, and it should be presented to the class in that manner.

CASE 1 The retail store for which you buy is located in a strip mall with one other fashion store. Within your immediate shopping area there are also four other fashion stores which carry many of the same brands that you do. All of these stores are small specialty stores which offer many customer services. What factors should be taken into consideration when determining your stores' retail pricing strategy?

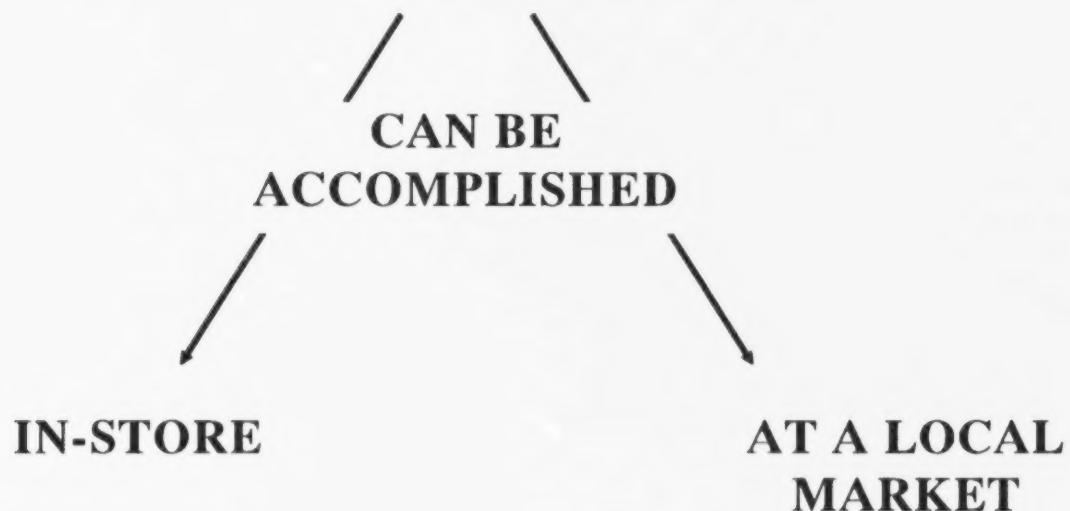
CASE 2 You are the buyer for the junior department for a large department store. Your store image is one of fashionable, trendy merchandise. Your store also prides itself on offering reasonable and competitive prices and your promotional efforts are geared towards that philosophy. Within your immediate shopping area, you have 10 specialty stores which offer the same or similar brands and merchandise (you are located in an enclosed mall). What factors should be taken into consideration when determining your stores' pricing strategy?

CASE 3 The retail store for which you buy is a free-standing specialty store. You have a high-fashion image, however, much of the merchandise that you offer can be found in the updated department at a department store two miles away. You are finding it increasingly difficult to maintain customer traffic even though you promote through advertising regularly. What could be some problems and solutions with regards to pricing strategy which you should investigate?

CASE 4 The store for which you buy is the only one of its type in the immediate shopping area. You carry original designs and offer excellent customer service. What factor's should be taken into consideration when determining your store's pricing strategy?

FACTORS FOR PURCHASING GOODS LOCALLY

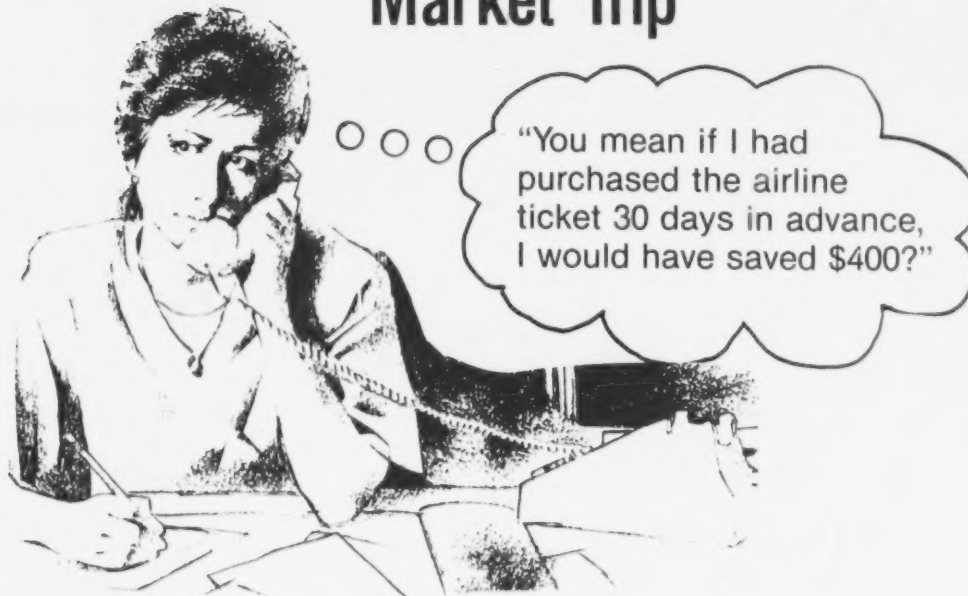
- 1. COST**
- 2. CONVENIENCE**
- 3. INVESTIGATE NEW RESOURCES**
- 4. PREVIEW MAJOR MARKET OFFERINGS**
- 5. INVESTIGATE OPPORTUNITIES FOR
SPECIAL PURCHASES**



**MAJOR MARKET ATTENDANCE
IS BASED UPON:**

- 1. MERCHANDISE CLASSIFICA-
TION**
- 2. SEASON OF THE YEAR**
- 3. BUSINESS CONDITIONS**

Planning for A Major Market Trip



"Planning travel and lodging in advance can save time *and* money."

A BUYER'S MARKET WEEK SCHEDULE

STORE NAME	The Constable
MERCHANDISE MANAGER	Philip Stern
BUYER	John Richards
ASSISTANT BUYER	Michael Fredrick
MERCHANDISE CLASSIFICATION	Men's Clothing

AGENDA

Monday (At Office)

9:00-10:00	General Meeting Topic: Trends for the coming season (All classifications)
10:15-11:00	Fashion Show Topic: Menswear, Fall and Winter '83
11:15-Noon	Merchandise Presentation Feature: Prices, fabrics, directions
Noon-1:30	Lunch
1:45-2:45	Individual conference Office representative: Carl Mann
3:00-5:00	Use of assigned workspace to review appointments, adjust plans, etc.

Tuesday/Wednesday

9:00-5:00	Attendance at NAMS Appointment schedule with specific companies will be distributed at individual conference.
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Thursday

Appointments at manufacturer's and designer's showrooms.

Friday

9:00-noon	Use of workspace to organize notes on possible merchandise acquisitions.
1:00-2:00	Meeting with office representative, Carl Mann

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BUYER'S NOTE-TAKING FORM

RESOURCE	PRICE	DESCRIPTION
Cambria Ltd.	\$125.75	D/B Glen Plain Suit
O and L - Private Label	\$ 92.50	D/B Pinstripe
Pierre Cardin	\$135.00	3 pc. Flannel (Wool/Poly)
Palm Beach	\$ 89.50	Sportcoat - Stripe
Jhane Barnes II	\$110.00	Blouson Jackets (Tweed)
Calvin Clothes	\$115.00	Tweed Blazer
O and L (P/L)	\$ 69.50	Sport Coat (Oatmeal Tweed)
O and L (P/L)	\$ 95.00	Leather Battle Jacket
	\$ 95.00	Leather Pants
Henry Grethel	\$ 89.50	Sportcoat (D/B)

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"Taking numbers" or notes of garments that are of special interest allows the buyer to have the information needed when writing orders."

Final Day of a Major Market Trip



"Oh no, I never got to vendor X and Y. I should have taken the time to look at those new resources today—I'll never have time to finish."

"Now that I've viewed all the resources scheduled, I think I'll take time to review some of their offerings and maybe investigate new resources."



"The final day of market should be used for review and investigation of new resources. All major resources should have been visited by this time."

WRITING THE ORDER

- 1. FILL IN ALL OF THE PERTINENT INFORMATION**
 - **TERMS**
 - **SHIPPING INSTRUCTIONS**
 - **F.O.B.**
 - **CORRECT STYLE NUMBER**
 - **DESCRIPTION**
 - **QUANTITY**
 - **COST**
 - **RETAIL (IF APPLICABLE)**
 - **EXTENSION**
 - **SPECIAL INSTRUCTIONS**
 - **DATE OF ORDER**
- 2. DO NOT FORGET TO SIGN IT**
- 3. CHECK THE FINE PRINT IF THE FORM HAS BEEN DEVELOPED BY SOMEONE OTHER THAN YOUR STORE**
- 4. CHECK AND RECHECK**

SHIPPING TERMS

**F.O.B. DESTINATION—VENDOR PAYS
(FREE ON BOARD) FREIGHT**

F.O.B. FACTORY—BUYER PAYS FREIGHT

**"IT IS IMPORTANT TO DEFINE AND
NEGOTIATE SHIPPING TERMS FOR
GREATEST PROFITABILITY."**

Methods of Shipment



"It is important to understand all of the shipping methods available in order to make the most profitable decision."

DATING TERMS

- 1. CASH ON DELIVERY (COD)**
- 2. REGULAR DATING**
- 3. END OF MONTH (EOM)**
- 4. RECEIPT OF GOODS (ROG)**

**" DATING TERMS REQUIRES A
CLEAR UNDERSTANDING AND
AGREEMENT BETWEEN THE
VENDOR AND THE BUYER"**

Writing the Purchase Order



Accuracy and thoroughness are necessities when writing an order.

**MERCHANDISE PRICING
STRATEGIES MAY DEPEND
UPON:**

- 1. COMPETITION**
- 2. STORE IMAGE**
- 3. STORE SERVICES**
- 4. PROMOTIONAL COSTS**
- 5. LOSS LEADERS**

PRETEST KEY
(Before You Begin)

OBJECTIVE A

1. Local markets differ from major markets because:
 - a. They are smaller
 - b. They show a wide range of merchandise representative of national offerings
 - c. They have fewer manufacturer representatives in attendance
 - d. Both a and c
2. The attendance at major markets depends upon what three criteria?
 - a. Merchandise classification offered by the store.
 - b. The season of the year.
 - c. General business conditions.
3. Why are buyers of stores who frequent major markets likely to consider purchases from local sales call?

These buyers are always looking for new resources, opportunities for special purchases, or a preview of a current vendor's market offerings.

OBJECTIVE B

4. Why must a buyer make early arrangements for travel and lodging when attending a major market?

Many times, there is a shortage of accommodations due to the fact that major markets are visited by buyers from all over the country. Making early arrangements allows for possible travel discounts and lodging in close proximity to the market.
5. List two reasons why vendor appointments during major markets are advantageous for the buyer.
 - a. It assists the buyer in managing his or her time effectively, and
 - b. It aids the buyer in adhering to his or her merchandise assortment plan.

6. What activities are likely to occur on the final day of a major market trip?
 - a. Since all resource visits should have been accomplished, the buyer may want to take this time to review merchandise offerings.
 - b. New resources may be investigated.

OBJECTIVE C

7. List the most common shipping terms.
 - a. F.O.B. Destination
 - b. F.O.B. Factory
8. List the most common methods of shipment.
 - a. Air Express
 - b. Air Freight
 - c. Parcel Post
 - d. UPS
 - e. Freight lines
9. List the most common methods of dating.
 - a. Cash on Deliver (COD)
 - b. Regular Dating
 - c. End of Month (EOM)
 - d. Receipt of Goods (ROG)

OBJECTIVE D

10. Discuss one of the most important factors in retail pricing strategy.

One of the most important factors affecting retail pricing is competition. If competitors are offering the same merchandise, careful consideration must be taken into account for pricing, which will be competitive, yet allow for a decent profit margin.

11. Discuss how store services affect pricing.

A store who has chosen to shower their patrons with services such as delivery, alterations, gift wrap, etc. must consider this in the retail pricing decision. The mark-up on the merchandise must be enough to pay for the extra services offered to the customer.

12. Describe a "loss leader" and its affect upon pricing strategies.

A "loss leader" is a merchandise purchase selected with the intention of marking it up at little above cost. Because of the excellent value promoted through the use of loss leaders, store traffic usually increases. This strategy allows for a heavy loss on specially selected items, with the realization that the overall sales will increase substantially.

POSTTEST

Circle the best answer(s) for each question.

OBJECTIVE A

1. Local markets differ from major markets because:
 - a. They are smaller
 - b. They have merchandise offerings which are nationally representative
 - c. Fewer manufacturer representatives attend
 - d. Both a and c
2. Although local markets may meet all of the merchandise needs of a store, why should major market trips be considered?
 - a. Because they are offered more often than local trips
 - b. To help the retailer develop skills necessary to meet competition
 - c. Because sales representatives usually do not show their lines well locally
 - d. Because better prices are offered at major markets
3. Which of the markets listed are major markets?
 - a. Atlanta, New York, Portland
 - b. Birmingham, Chicago, California
 - c. Dallas, New York, California
 - d. Portland, Atlanta, New York

OBJECTIVE B

4. When attending a major market, the buyer should take along the following.
 - a. A current open-to-buy and distribution summary
 - b. Style and classification plans for staple model stock

- c. A note taking form
 - d. both a and c
5. "Taking number" refers to:
- a. Taking the dollar open-to-buy figure to market
 - b. The recording of merchandise that is of interest at market
 - d. Taking cost and retail numbers on the market appointments
6. New resources or potential resources are best visited
- a. At the beginning of market week
 - b. Anytime
 - c. At the end of market week
 - d. All of the above

OBJECTIVE C

7. _____ is the type of shipping terms in which the vendor pays for the freight.
8. The following is a quick, but very expensive method of merchandise shipment
- a. Air freight
 - b. UPS
 - c. Freight lines
 - d. Air Express
9. The dating for these terms is calculated from the date the merchandise is received at the store rather than the date of the invoice
- a. COD
 - b. EOM
 - c. ROG
 - d. Regular dating

OBJECTIVE D

10. A factor in which the store patrons are willing to pay a premium for the goods, allowing the buyer to affix a hefty mark-up is:

- a. Loss leaders
- b. Store image
- c. Promotional costs
- d. Both a and c

11. A "loss leader" is:

- a. A leading store in your area which is taking losses
- b. A stock shortage
- c. Merchandise selected with the intention of marking it up a little above cost
- d. A promotional campaign which caused losses

POSTTEST KEY

OBJECTIVE A

1. Local markets differ from major markets because:
 - a. They are smaller
 - b. They have merchandise offerings which are nationally representative
 - c. Fewer manufacturer representatives attend
 - * d. Both a and c
2. Although local markets may meet all of the merchandise needs of a store, why should major market trips be considered?
 - a. Because they are offered more often than local trips
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OBJECTIVE B

4. When attending a major market, the buyer should take along the following.
 - a. A current open-to-buy and distribution summary
 - b. Style and classification plans for staple model stock
 - c. A note taking form
 - * d. both a and c

5. "Taking number" refers to:
- a. Taking the dollar open-to-buy figure to market
 - * b. The recording of merchandise that is of interest at market
 - d. Taking cost and retail numbers on the market appointments
6. New resources or potential resources are best visited
- a. At the beginning of market week
 - b. Anytime
 - * c. At the end of market week
 - d. All of the above

OBJECTIVE C

7. F.O.B. Destination is the type of shipping terms in which the vendor pays for the freight.
8. The following is a quick, but very expensive method of merchandise shipment
- a. Air freight
 - b. UPS
 - c. Freight lines
 - * d. Air Express
9. The dating for these terms is calculated from the date the merchandise is received at the store rather than the date of the invoice
- a. COD
 - b. EOM
 - * c. ROG
 - d. Regular dating

OBJECTIVE D

10. A factor in which the store patrons are willing to pay a premium for the goods, allowing the buyer to affix a hefty mark-up is:

- a. Loss leaders
- * b. Store image
- c. Promotional costs
- d. Both a and c

11. A "loss leader" is:

- a. A leading store in your area which is taking losses
- b. A stock shortage
- * c. Merchandise selected with the intention of marking it up a little above cost
- d. A promotional campaign which caused losses